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Forty-eighth session
Item 32 of the provisional agenda*

COMPLETE WITHDRAWAL OF FOREIGN MILITARY FORCES FROM THE TERRITORIES OF THE BALTIC STATES

Letter dated 3 September 1993 from the Permanent Representative of Belgium to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the French and English versions of the statement on the complete withdrawal of foreign military forces from the territories of the Baltic States issued on 1 September 1993 by the European Community and its member States.

I should be grateful if you would have the text of this letter and of its annex circulated as a General Assembly document under item 32 of the provisional agenda.

(Signed) Paul NOTERDAEME
Permanent Representative of
Belgium to the United Nations

* A/48/150 and Corr.1.

Annex

Statement on the withdrawal of Russian troops from the Baltic States issued on 1 September 1993 by the European Community and its member States

The European Community and its member States welcome the completion of the withdrawal of Russian troops from Lithuania in accordance with the Russian/Lithuanian agreement of 8 September 1992, the joint Russian/Lithuanian declaration of 30 August 1993 and paragraph 15 of the Helsinki final document of the Conference on Security and Cooperation in Europe (CSCE). They acknowledge the efforts made in recent days by the Russian Federation and Lithuania, in particular by Presidents Yeltsin and Brazauskas, to resolve the problems relating to troop withdrawals. The Community and its member States welcome the proposed meeting between Presidents Yeltsin and Brazauskas. They hope that the fact that the troop withdrawals have now been completed will enable the Russian Federation and Lithuania to open a new chapter in their bilateral relations. They believe that the completion of withdrawals from Lithuania will make an important contribution to stability and security in northern Europe.

The Community and its member States now hope that the Russian Federation will accept and implement timetables for early and complete withdrawal from Estonia and Latvia, in accordance with the CSCE Helsinki final document, without linkage to other problems. The Community and its member States call on the Russian Federation and Estonia and Latvia, respectively, to resolve all outstanding problems relating to troop withdrawals through dialogue held in a constructive and flexible manner, in particular at the highest political level.

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148 of the provisional agenda*
THE SITUATION IN THE MIDDLE EAST
QUESTION OF PALESTINE
THE SITUATION IN BOSNIA AND HERZEGOVINA
CONSEQUENCES OF THE IRAQI OCCUPATION OF
AND AGGRESSION AGAINST KUWAIT
REVIEW OF THE IMPLEMENTATION OF THE
DECLARATION ON THE STRENGTHENING OF
INTERNATIONAL SECURITY
REPORT OF THE SPECIAL COMMITTEE TO
INVESTIGATE ISRAELI PRACTICES
AFFECTING THE HUMAN RIGHTS OF
THE PALESTINIAN PEOPLE AND OTHER
ARABS OF THE OCCUPIED TERRITORIES
DEVELOPMENT AND INTERNATIONAL
ECONOMIC COOPERATION
REPORT OF THE SPECIAL COMMITTEE ON
THE CHARTER OF THE UNITED NATIONS
AND ON THE STRENGTHENING OF THE
ROLE OF THE ORGANIZATION

SECURITY COUNCIL
Forty-eighth year

Letter dated 7 September 1993 from the Permanent Representative of the United Arab Emirates to the United Nations addressed to the Secretary-General

On instructions from my Government, I have the honour to transmit herewith the Arabic text of the communiqué issued by the Ministerial Council of the Gulf Cooperation Council at its forty-eighth session, held at Riyadh, Saudi Arabia, on 5 and 6 September 1993 (see annex).

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* A/48/150 and Corr.1.

I should be grateful if you would have the text of the present letter and its annex circulated as a document of the General Assembly, under items 34, 35, 42, 55, 79, 86, 92 and 148 of the provisional agenda, and of the Security Council.

(Signed) Mohammad J. SAMHAN
Permanent Representative

ANNEX

Final communiqué concerning results of the work of the Ministers for Foreign Affairs of the Gulf Cooperation Council during their meeting at the headquarters of its secretariat at Riyadh on 19 and 20 Rabi' I A.H. 1414 (5 and 6 September A.D. 1993)

The Ministerial Council held its forty-eighth session on 19 and 20 Rabi' I A.H. 1414 (5 and 6 September A.D. 1993) at the headquarters of its secretariat at Riyadh, under the chairmanship of His Excellency Rashid Bin Abdullah al-Noaimi, Minister for Foreign Affairs of the United Arab Emirates and Chairman of the current session of the Ministerial Council, in the presence of all its members, as follows:

His Excellency Sheikh Mohammed Bin Mubarak Al Khalifa, Minister for Foreign Affairs of the State of Bahrain;

His Royal Highness Prince Saud al-Faisal, Minister for Foreign Affairs of the Kingdom of Saudi Arabia;

His Excellency Mr. Yousef Bin Al-Alawi Bin Abdulla, Minister of State for Foreign Affairs of the Sultanate of Oman;

His Excellency Sheikh Hamad Bin Jassem Bin Jabr Al Thani, Minister for Foreign Affairs of the State of Qatar;

His Excellency Sheikh Sabah al-Ahmad al-Jaber al-Sabah, First Deputy Prime Minister and Minister for Foreign Affairs of the State of Kuwait.

The Council conveyed its heartfelt congratulations to the Custodian of the Two Holy Mosques, King Fahd Bin Abdul-Aziz, and to the noble people of Saudi Arabia on the occasion of the promulgation in that country of the statute governing the auspicious consultation process and the appointment of members to the Consultative Council. It expressed the hope that this historic step would be crowned with full success and help to strengthen the comprehensive process of advancement currently under way in the Kingdom in all spheres.

The Ministerial Council reviewed the latest regional and international developments and considered the situation in the region in the light of the Iraqi regime's continued procrastination in implementing the relevant Security Council resolutions concerning its aggression against the State of Kuwait. The Council condemns the Iraqi regime for its dilatory tactics, prevarication, threats and violation of the terms of the cease-fire laid down by Security Council resolution 687 (1991), as well as for its continued assertion of expansionist claims against the State of Kuwait, hints of renewed aggression, refusal to accept Security Council resolution 833 (1993), which confirms the boundary between Kuwait and Iraq, and persistent threats to security and stability in the region. The Council reaffirms its full support for the State of Kuwait, in conformity with the principle of collective security.

The Council also reaffirms its constant position regarding the need for Iraq to implement all the relevant Security Council resolutions and all the articles of resolution 687 (1991), including those relating to the release of Kuwaiti and other prisoners and detainees, the recognition of the international boundary between Kuwait and Iraq, the payment of compensation, the return of all stolen property and the facilitation of the tasks of the international inspection teams entrusted with the elimination of weapons of mass destruction. Iraq should undertake not to commit or support any acts of terrorism or sabotage. The Ministerial Council urges the international community to maintain its pressure on the Iraqi regime until such time as it fulfils all its international obligations under the terms of the cease-fire and of the relevant Security Council resolutions.

While reaffirming its absolute attachment to the unity and territorial integrity of Iraq, the Council places full responsibility on the Iraqi regime for the bloody repression to which the fraternal Iraqi people has been subjected and for any other human suffering it may be experiencing as a result of that regime's practices and its refusal to implement Security Council resolutions 706 (1991) and 712 (1991), which deal with Iraq's needs in respect of foodstuffs and medicine.

The Council also reviewed developments in the relationship with the Islamic Republic of Iran and reaffirmed its constant position of support for the United Arab Emirates and endorsement of its sovereignty over its three islands, Abu Musa, the Greater Tunb and the Lesser Tunb. The Ministerial Council reiterates its unequivocal support for all measures and peaceful means that may be adopted by the United Arab Emirates to recover its sovereignty over its islands and expresses the hope that the dialogue between the two countries will lead to a resolution of all matters pending between them.

The Ministerial Council is closely following developments in the Middle East peace process. It expresses its satisfaction at the resumption of bilateral negotiations in the eleventh round and affirms the contents of its statement of 5 September 1993, which welcomes the draft agreement reached by the Palestine Liberation Organization and Israel as a first step towards a just, lasting and comprehensive solution of the Palestinian question and the Arab-Israeli conflict on the basis of Security Council resolutions 242 (1967) and 338 (1973), the principle of land for peace, the achievement of a complete Israeli withdrawal from the occupied Arab territories, and from Jerusalem first and foremost, the guaranteeing of the legitimate national rights of the Palestinian people, including its right to self-determination, and the establishment of firm foundations on which to guarantee security and stability in the Middle East.

The Council reaffirms its continued support for peace efforts undertaken in conformity with agreed foundations and principles and keenly hopes that the negotiations will produce substantial progress in all fields, thus moving the peace process forward.

The Council also considered the situation in Somalia. It expresses its deep regret and concern at the continued deterioration of security conditions in that country and affirms its attachment to the unity, sovereignty, territorial integrity and political independence of Somalia. It urges the brethren in

Somalia to endeavour to facilitate the task of the United Nations, to cooperate with international efforts to establish security and stability there and to combine their efforts to bring about national unity. It reaffirms its sympathy for the Somali people and its hope that security and stability will be restored in that fraternal country, while reaffirming that the nations of the Cooperation Council will stand by Somalia in its painful ordeal.

The Ministerial Council also discussed the deteriorating situation in the Republic of Bosnia and Herzegovina. It expresses its grave concern and displeasure at the continued severe human suffering of that country's people as a result of persistent evil Serbian aggression and the perpetration by Serbian forces, supported by Serbia and Montenegro, of the most brutal crimes against humanity in Bosnia, as well as their violation of United Nations instruments and challenge to international legality.

The Council meanwhile vigorously deplores and condemns the attempts by both Serbs and Croats to impose a fait accompli and to extract territorial gains by imposing an unjust settlement on the Republic of Bosnia at the Geneva Conference. The Ministerial Council urges the Security Council and the European Community to take every measure to prevent the rewarding of aggression and the conferring of legitimacy on its results and products. It calls upon the Security Council to take every necessary measure permitted under Chapter VII, Article 42, of the Charter of the United Nations in order to restore international peace and security and to oblige the aggressor forces to comply with the resolutions of international legality. The Ministerial Council also urges the Security Council to take all the urgent measures required to enable the Republic of Bosnia and Herzegovina to exercise its right to self-defence under Article 51 of the Charter, including lifting the arms embargo imposed on it. The Council urges the international community to tighten the sanctions and to increase the pressure on Serbia and Montenegro. It also urges the Security Council to intervene immediately to break the siege imposed on the city of Mostar and to establish a safe area there.

The Council reviewed the major economic topics discussed by the specialized ministerial and technical committees since its last session, including efforts to unify customs tariffs and progress made by the technical committees in discussion of that subject, in preparation for the submission of final recommendations to the coming session of the Supreme Council, which is due to be held in Saudi Arabia.

The Council also reviewed developments in negotiations and meetings between the nations of the Cooperation Council and other States and economic associations, particularly the European Community, in the light of results of both the joint ministerial meeting held at Brussels on 11 May 1993 and the meeting of the Joint Committee for Bilateral Cooperation, held at Brussels on 16 July 1993, on the subject of energy and the environment. The Council took note of these developments.

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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

Economic stabilization programmes in developing countries

Report of the Secretary-General

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I. INTRODUCTION

1. External and domestic imbalances continue to be at the core of macroeconomic policy in a large number of developing countries, even though the policy focus has gradually been changing to that of "how to go from adjustment to growth". In resolution 46/154 of 19 December 1991, the General Assembly requested the Secretary-General to submit to the Assembly at its forty-eighth session a comprehensive and analytical report containing an evaluation of the extent to which the efforts made by developing countries to stabilize their economies were being supported by the current international economic environment. The present report has been prepared in response to that request.

2. A previous report of the Secretary-General (A/46/385) on economic stabilization programmes in developing countries was presented to the General Assembly at its forty-sixth session, in response to Assembly resolution 45/194 of 21 December 1990. That report examined the experience with stabilization and adjustment programmes accumulated during the 1980s and the way in which views on stabilization and adjustment issues had changed over the decade. A number of conclusions were derived for policy-based lending and for the role of multilateral financing in support of stabilization and adjustment programmes. A case was made for a supportive international environment in order to increase the rate of success of the adjustment programmes on which such a large number of developing countries were embarking.

STABILIZATION, ADJUSTMENT AND ECONOMIC REFORM

The terms stabilization, adjustment and economic reform, are frequently used rather vaguely, and sometimes as if they were more or less synonymous. In the present report, an attempt has been made to distinguish between these concepts in the following way.

Stabilization is understood to refer to the correction of macroeconomic imbalances (both internal and external) reflected in general price increases that have disrupted normal economic relationships, increased uncertainty, redistributed incomes away from people who have less control over the prices at which they sell their labour or buy their sustenance, and in extreme cases caused an abandonment of the currency as a unit of account or even as a means of payment. Stabilization policies to combat inflation are usually of a short-term nature and have a strong component of aggregate demand management, mainly through fiscal correction. Where large balance-of-payments disequilibria are simultaneous with high inflation, trade-offs between targets will have to be managed.

Successful stabilization could, however, leave an economy still highly susceptible to new bouts of inflation. Adjustment is employed to refer to the policy changes needed to put the economy on a sustainable economic growth path. Adjustment is necessary when external conditions change in an irreversible manner, particularly if changes are adverse and lead to an unsustainable current account deficit. Adjustment is usually of a more long-term nature. It has both macroeconomic and structural aspects; the former

include policies to ensure that the growth of the supply of money and credit is limited to real needs and that fiscal deficits do not become excessive while the latter include policies to correct price distortions that are under policy control - notably the exchange rate - and measures to ease bottlenecks in infrastructure.

Such policy measures are, in a sense, economic reforms and, indeed, adjustment as well as stabilization is understood to be part of economic reform. However, the term economic reform is understood to incorporate broader institutional changes as well, particularly those aimed at increasing the flexibility or capacity of response of the economy. For example, tightening the targets for the growth of the domestic money supply would be part of an adjustment programme; but a major economic reform is involved when a Government makes its central bank an independent institution that may refuse, say, to fund an inflationary fiscal deficit. Other such reforms would include deregulation, reduction of the size and scope of government by privatizing various state enterprises, land reform, and overhauling of the tax system. a/

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a/ See "Dilemmas of macroeconomic management: stabilization and adjustment in developing countries", in Supplement to World Economic Survey, 1990-1991 (United Nations publication, Sales No. E.92.II.C.2), p. 1, box.

3. Over the last two to three years the old debates on stabilization and adjustment have continued, but they have also become more detailed and have acquired new angles. Policy recommendations associated with "adjustment lending" are changing in response to critiques and accumulated experience. It is characteristic of the new stage that the analysis of the success or lack of success of stabilization and adjustment programmes has in fact moved into a discussion about the determinants of growth and development. The particular way in which each country is inserted into the world economy and the impact of the international environment are among those determinants. The discussion about growth has come to include an analysis of the role of public policy in the rapidly growing economies in East Asia, regarded as instances in which adjustment to a changing world environment took place more often than not before imbalances reached crisis proportions and emergency balance-of-payments support had to be sought. What is deemed necessary is to discover the combination of policies that, while restoring the fiscal budget and balance of payments, allows an acceleration of growth.

4. Such a combination of policies is a key issue today and will be critical in the future. There is a large degree of consensus on the macroeconomic balances necessary to stabilize the economy. Yet there are still very diverse views on how to speed up and sustain economic growth. While some are still in search of the ideal policy package that could be recommended by international advisers as a general rule, others believe in the importance of initial conditions, different for each country, and so conclude that generic adjustment programmes that do not recognize country diversity will not work. 1/

II. BROADENING OF THE DEBATE ON ADJUSTMENT

5. Views on stabilization and adjustment had already changed between the start of the debt crisis in 1982 and the end of the decade of the 1980s. (The evolving views on stabilization policies were examined in great detail in the report of the Secretary-General (A/46/385) on economic stabilization programmes in developing countries.) The international debt problem and the serious balance-of-payments difficulties faced by many of the developing countries were to a large extent at the origin of lending for structural adjustment. At the beginning, over a decade ago, adjustment programmes were interpreted as being not much more than stabilization policies aimed at balance-of-payments and price stability and were expected to be short-lived. As experience with this new type of lending accumulated during the 1980s, structural adjustment programmes associated with the lending policies of the International Monetary Fund (IMF) and the World Bank - and gradually also the regional development banks - came to encompass a far broader range of policy areas than balance-of-payments and price stability, and their time-horizon was extended.

6. At the end of the 1980s, the policy reform recommendations associated with the lending programmes of IMF, the World Bank and the regional development banks were summarized under five principles:

(a) Government budget balancing;

(b) Correction of relative prices to reflect market conditions;

(c) Liberalization of trade and foreign investment;

(d) Privatization;

(e) Domestic market deregulation.

Starting in 1990, those principles were sometimes called the Washington consensus. 2/ At this high level of generality, they have not changed much since, even if more recently coverage of issues related to poverty alleviation has been added to IMF- and World Bank-supported structural adjustment programmes and questions about the environment are being raised. 3/

7. To identify changes in views or emphasis, it is necessary to abandon the high level of generality inherent in the consensus. A very large number of developing countries adopted adjustment programmes and even more have embarked on policy reform in the last few years. There has also been a larger number of repeated and continuous programmes, that is, programmes unable to bring about sustained development. Policy conditionality of the international financial institutions has moved beyond questions of budgetary aggregates into those concerning the quality of fiscal adjustment, social safety nets and other programme details, including environmental and political factors. Because the policy reform programmes became more detailed and tried to cover a larger number of objectives and policy instruments, and because of the large cross-country variance of the results, there are now many more differing views on the concrete programmes that were implemented or are to be implemented.

8. Research and analysis of the accumulated experience with adjustment policies and adjustment lending have expanded so much in the last two or three years, including within the Bretton Woods institutions, that today it is difficult to describe any specific adjustment policy package that commands consensus. Yet convergence around some very broad general principles appears to have been strengthening over the last few years.

Abrupt changes in external variables can threaten reform

9. The debate over the relative role of domestic factors and policies versus that of the international environment has subsided. Few would deny that for developing economies in the early 1980s the external environment became harsher than it had been up until then in the post-war period or that the chances for the success of economic policy reform in developing countries are greater with appropriate support from the industrialized countries and the multilateral institutions, low international interest rates, high world economic growth, and markets that are open to developing country exports. 4/

10. One study, 5/ prepared at the International Economics Department of the World Bank, on the impact of external shocks on the current account of individual countries has shown that in any one year the extent of such impact can be reflected in a figure as high as 10 per cent or more of gross domestic product (GDP) in some developing countries. Similar figures were presented previously in a report of the Secretary-General (A/45/487) on the net transfer of resources from developing countries: the net negative transfer of financial resources in addition to the estimated loss from changes in terms of trade was often as high as 10 per cent of GDP in some individual developing countries in the 1980s; and for sub-Saharan Africa, terms-of-trade losses alone were as high as 5 per cent of GDP in certain years of the past decade. The impact of external shocks of such magnitude has to be taken into account in assessing the failure or the success of adjustment programmes and in explaining why growth rates differ among countries. IMF recently conducted a review, 6/ covering 19 low-income countries, of experience under its Structural Adjustment Facility/Enhanced Structural Adjustment Facility (ESAF) supported arrangements in the period 1986-1993, and found that large deterioration in terms of trade for more than half of those 19 countries made it difficult not only to implement reforms but also to perceive their benefits.

11. The international economic environment in the 1990s is in some respects different from what it had been in the 1980s, and the diverse ways in which it is affecting developing countries is discussed below. Adverse or favourable external conditions are transmitted to an individual economy mostly through changes in real world interest rates, in international demand for its exports (determined by the level of world trade and global economic activity, in particular the level of activity of its main trade partners), in terms of trade (in developing countries, generally determined by price trends of commodities and manufactures), and in worldwide capital flows (direction and composition). The net impact of changes in the external environment on a given country depends also on its response to those changes.

Macroeconomic discipline is always recommended

12. Today few if any would deny the impact of external shocks (or support) on implementation of reforms; on the other hand, almost all policy makers or members of the "international community of advisers" would agree that sound macroeconomic policy is also necessary. Enough experience has accumulated to prove that it is impossible for virtually any country to run increasing fiscal and current account deficits for a long period of time. One might call it "social learning" 7/ but few could now argue - as many did in the 1950s and a few even in the 1970s - that fiscal imbalances or inflation does not matter. Also, developing country Governments have increasingly become persuaded of the importance of fiscal and monetary discipline; but unanimity about a general formula does not go much beyond sustainable macroeconomic balance, that is, sustainable current account and budget balances.

13. Yet when the decision on an individual country policy is at stake, it is difficult to decide what "level" of macro imbalances such as inflation can be considered acceptable and sustainable; in cases of "small" imbalances, advisers might disagree on whether stabilization must necessarily precede other elements in a policy of structural adjustment. The cost of bringing inflation down or eliminating it can be assessed, depending on the policy instruments to be used. If inflation is at a low level, an assessment of the cost involved - be it, for example, in real exchange rate appreciation, rise in unemployment, or decline in real wages - might lead to the conclusion that the effort is not worthwhile immediately, and that it is too costly to stop inflation entirely. The idea, then, that stabilization policies always have precedence over all the other elements of economic policy might be part of the present mainstream, but it does not reflect a consensus. 8/

14. Consensus becomes even more fragile when discussion turns to why "sound macroeconomic policy" has not yet been possible in some developing countries - caught in political stalemate or why in several others, particularly low-income countries, policy reform up to now has had little influence on inflation and halted neither decline in investment nor stagnation of per capita output.

Relative failure of adjustment in low-income countries

15. The relative failure of adjustment and stabilization programmes in Africa has begun to be more amply recognized and is a major cause of concern. Economic performance in sub-Saharan Africa has been poor compared with that of other regions. Assessment of the effects of policy reform has to leave out, of course, a number of countries in which war and social unrest are the main reasons for economic decline. African countries in the franc zone, which tied their currency to the French franc and cannot correct their exchange rates, have also been excluded by the World Bank from the (effectively) "adjusting countries" category. A core group of 15 African countries have been considered successful adjusters by the World Bank. 9/ Still, their per capita GDP was barely growing in the second half of the 1980s and stagnated in 1991, their per capita growth in agricultural output is virtually nil, and their exports, after declining in the first half of the 1980s, increased at half the rate of growth of world trade. Private investment continues to be insufficient or even falling in low-income countries and those countries remain unattractive to foreign direct investment. Even significant adjustment lending in low-income

countries has not been a sufficient condition for transition to a sustainable growth path. 10/

16. Diagnosis of the reasons for the lack of success is still being made. 11/ Recently much more weight has been given to the fact that too often the programmes are not home-grown and there is therefore a lack of commitment to and ownership of the programmes by the Governments concerned; to the influence of initial conditions, that is, more fundamental structural obstacles that go with virtually unchanged reliance on primary product exports; to political and economic structures that are less flexible and respond more slowly to constraints and challenges; and to the much stronger vulnerability to exogenous shocks, including droughts.

Social cost has to be included in the programme design

17. Already by the end of the 1980s it became widely acknowledged that more attention must be given to the social and human dimensions in the adjustment process at the formulation stage. It is inefficient to try to mitigate social problems at one end, while little or nothing is being done at the other end about the array of policies that are feeding those problems. This is an area in which research and discussions have multiplied in the last years. Projects to investigate the possibility of designing adjustment programmes with a greater emphasis on equity have been carried out inside the United Nations system and outside the system by international and academic institutions. 12/

18. It is not entirely obvious that large social costs have derived directly from adjustment. The overall impact of adjustment programmes on income distribution and on poverty depends on country circumstances and policies. In Africa in particular, the reduction in food subsidies to consumers, the increase in producer prices and the depreciation of the currency might have led to a shift in income towards the rural area, which was the poorest; and this, it can be argued, constituted a reduction in poverty. On the other side, reduction in real urban wages was also severe. Given the linkages between the rural and the urban sectors, such a reduction was not neutral with respect to rural incomes. Even in the subsistence sector, a share of total income (some 20 per cent) is generated outside subsistence activities. 13/

19. Not all of the increase in poverty or the worsening in the situation of income distribution is the result of stabilization programmes. The social cost of adjusting should be compared with the corresponding costs of not adjusting. Hyperinflation or high inflation has usually had a highly negative impact on income distribution and poverty. It is not always possible, then, to disentangle the losses arising specifically out of an adjustment programme from the long-term deprivation that had been present before the programme existed. However, almost every stabilization and adjustment programme was associated with a recession that carried with it losses in output, employment and real wages. Mexico's successful stabilization, for instance, was accompanied by steep declines in GDP and in real wages (possible in the specific institutional setting of that country), and only now does it seem to be turning the corner. Moreover, most Governments made cuts in social spending, and reduced or eliminated subsidies as part of their efforts to control budget deficits. Most adjustment programmes brought a decline in real wages that was more severe in the urban area.

20. Whether the social costs of adjustment can be entirely avoided is still an open question. Those costs of were, and are, expected to be transitional but everyone now agrees that such a transition can take a long time, five or more - sometimes many more - years. Seven years passed before real incomes started increasing again in Mexico. Unfavourable external factors might prolong the time-frame of adjustment and worsen its social costs. For instance, in the case of Mexico, the required adjustment would have been smaller, recovery would have occurred sooner and social costs would have been lower if the country had not faced the oil shock of 1986. 14/

21. Even though consideration of the social impact of adjustment now involves a form of almost conventional wisdom, it is still difficult to compensate the most affected groups and to reduce poverty. The idea of targeting certain groups and limiting help to these groups specifically can now, after some concrete experiences, be discussed more rationally. The administrative cost of identifying the target group and delivering help to it is usually high and can absorb a large proportion of the sum designed to support the target group. Not surprisingly, the most successful examples of targeting the poor with special programmes (for instance, that of Chile or of Mexico with the Programa Nacional de Solidaridad (PRONASOL) come from countries that had the institutional basis of an organized welfare system. 15/ When Governments are weak, targeting is more difficult. Moreover, the concept of targeting experiences political opposition from those groups which continue to defend the democratic ideals of universal coverage for basic social services.

22. Poverty is a challenge for the world at large, and not just a domestic policy issue. As the President of the General Assembly (in the closing of the forty-third session of the Assembly) pointed out in 1989, in this interdependent world there can be no tranquil first-class passenger if in economy class there is a bomb. We are travelling together, and the problems of one region are indeed a challenge to us all.

23. Nevertheless, foreign savings cannot be expected to fund a social safety net in developing countries, except in very small countries and under very special circumstances. In Bolivia, the Emergency Social Fund implemented as a complement to the country's structural reform plan was essentially funded from abroad: it attracted $240 million in foreign resources mostly channelled through the World Bank as grants. Ghana, another small country, implemented a programme of action to mitigate the social costs of adjustment funded by aid, but disbursement of the $80 million pledged was slow. 16/ The idea that developing countries can obtain additional transfers from abroad, except for special emergency situations, has too weak a constituency in creditor countries to provide much hope to large- or even medium-sized developing countries with respect to the installing of social investment funds with contributions from abroad. In Egypt, a $432 million social fund was established to soften the adverse impact of the adjustment programme, with the assistance, inter alia, of the World Bank and the United Nations Development Programme (UNDP), but this has to be set against very harsh social conditions, in which some 6-7 million people (more than 10 per cent of the population) are among the extremely poor and depend for their survival on direct transfers for half of their income or more. In most countries the improvement of social programmes will have to proceed through a reallocation of domestic budget expenditures. Reallocation of government expenditure away from the military continues to be mentioned as one

possible way of expanding social expenditures, but the recycling of military-related assets and personnel has high costs and in many countries this solution is being pushed towards the future. Reschedulings and other measures to allow a reduction in government interest payments on foreign and domestic debt could, equally, release budget resources for social expenditures. 17/

Political dimensions of economic policy formulation

24. The most recent twist in the analysis of social costs of adjustment is its being explicitly linked to the sustainability of policy reforms. The credibility and political feasibility of those reforms depend on the taking into account of their impact on various social groups. The argument is that the design of the programme has to consider its sociopolitical implications from the start.

25. Political sustainability of policy reforms was already considered in the last report of the Secretary-General (A/46/385) on stabilization programmes in developing countries. The political sustainability of adjustment is now recognized to be as central to its success as its impact on economic growth. The "political economy" of adjustment is a burgeoning field of concern to policy makers, analysts and academics. 18/

26. The success of reform and adjustment efforts is affected by the degree of political commitment of the authorities; but experience has too often demonstrated that certain reforms, even if authorities or advisers believe that they will be efficient and effective, might be impossible if there are powerful domestic forces opposing them. Delays in the adoption of fiscal adjustment, for instance, may be the result of distributional "wars of attrition", owing to disagreement over the allocation of the burden of fiscal change. Brazil's difficulties with its fiscal reform seemed to fit this model until recently, when (in mid-1993) it seemed that hard-fought negotiations had begun to break the impasse. Therefore, it is useful to seek a clearer understanding of the conditions under which policy makers will adopt and sustain economic policy reform. This is particularly important for countries that are trying to implement economic reform while at the same time managing the transition from military rule to civilian rule or towards more open and accountable political regimes, or even just nurturing fledgling democracies. Political constraints are so important that the very notion of optimal programmes in a technical economic sense should be discarded in favour of a concept that is more operational politically.

27. Political conditionalities, which have been added to the other, more conventional policy recommendations in some cases, have to be discussed in this broader context of the credibility and sustainability of policy reform. The same consideration applies to the economic programmes to be implemented by new democratic Governments in countries making their transition out of war or civil strife. Thus, the domestic and external financial commitments derived from peace agreements should be taken into account when stabilization and adjustment programmes immediately follow a peace agreement.

Interaction between the public and the private sector

28. There is also some indication of convergence regarding the relative role of the State and of markets in adjustment and growth. By the end of the 1980s, the pendulum had swung perhaps too far towards a belief in the efficacy of markets. Moves towards moderation among all parties are emerging as the interaction between the public sector and the private sector is reassessed. This is partly a reflection of the difficulties involved in the transition to a market economy in Eastern Europe and the former Union of Soviet Socialist Republics; but it is also partly a result of comparative studies of the fast-growing East Asian economies and of the fact that Asian scholars and government officials are becoming more vocal in explaining their own growth experience and policy choices. Widespread government intervention helped high-level growth in some of the Asian economies. This success has prompted a search for the reasons why and the conditions under which government intervention contributed to growth, as well as for the kind of policies that were pursued. The reassessment of the relative roles of the State and of market forces is also partly the result of a new look at deindustrialization in Africa: the liberalization that gave free rein to market forces, without complementary policies oriented towards preparing existing firms to face competition, just might have been the final blow that killed many of the less competitive domestic industries in some of the poorest countries, without necessarily putting anything in their place. 19/ This suggests that a new role for the State might be necessary in low-income countries, one not of building permanent protective barriers for domestic firms, but of supporting the learning process that could make those firms competitive and able to survive a gradual opening of the economy. International cooperation is necessary to build the indigenous institutions and administrative capacity that could enable Governments to play such a role.

29. The World Bank's World Development Report, 1991: The Challenge of Development, 20/ in its analysis and policy conclusions, as well as World Economic Survey, 1992, 21/ in its chapter VII on "Entrepreneurship and the development challenges of the 1990s", were among the discussions of appropriate interaction between government activities and market forces. To obtain the balance appropriate in each case has become one of the most delicate issues in the design of policy reform. Timing and degree of liberalization and privatization are elements of that balance.

30. Liberalization proceeded in all regions of the developing world. In general, adjustment programmes, which included deregulation and trade liberalization, as well as a reduction of barriers to foreign investment and technology transfers, implied stronger integration into the world economy; and, in many cases, increased reliance on market forces had as a counterpart a reduced role for the State in economic management. On the one hand, increased flexibility might help the adaptation to changing world economic conditions and the ability to take advantage of them. However, there are also increased risks and vulnerability that go with a higher degree of integration into the world economy. These have to be faced, in particular among smaller or medium-sized countries where avoidance of stronger integration into the world is even less of an adequate option. It might be necessary to build into adjustment programmes and their external financial support schedules contingency mechanisms to deal with sudden shifts in external variables.

31. The advocacy of privatization has also, with the accumulated experience of numerous countries, acquired nuances. It cannot be expected that the transfer of ownership of enterprises will guarantee by itself an increase in efficiency. Nor is it a foregone conclusion that such transfer is always possible. Nevertheless, in most developing countries, the arguing over privatization in general is not heavy, even if in a few cases domestic political opposition has blocked the process. On the other hand, there is much arguing about timing, conditions of payment, the choice of firms and sectors, the sequence in which the different state enterprises are to be privatized, and the extent to which the State has to change the structure of management and eliminate the worst distortions in some of those firms before privatization. There is also much arguing on the subject of concessions to buyers with regard to subsidies, taxes, tariffs, protection and monopolistic position. Since massive privatization programmes are being started in more and more countries, and not only developing ones, there is some concern about the potential of the private sector for acquiring assets on this scale. In some countries, there exists the danger of cheap liquidation of state assets that are not always in the category of loss-making state enterprises, and in this case privatization might even worsen the government's budgetary difficulties.

32. Finally, beyond the points of broad convergence just mentioned, there has been a trend emerging since the end of the decade, namely, the expansion of the conditionality of structural adjustment loans to include environmental criteria. This type of requirement has become stronger in the last few years and has in some cases led to a conflict with respect to the views held by financial institutions and those held by the countries interested in disputed projects. An open question no doubt exists for the future, namely, how to make adjustment programmes consistent with ecologically sustainable development.

III. CHANGES IN THE INTERNATIONAL ENVIRONMENT IN THE 1990s

33. The external environment for developing countries is, at the beginning of the 1990s, different from what it was in the 1980s. The net transfer of resources to developing countries, on a financial basis, which had been negative in the period 1983-1989, became positive again in 1990 and is expected to continue to be so in the next few years. The shift - from a negative $18 billion annual average in the triennium 1987-1989 to a positive $43 billion annual average in the triennium 1990-1992 - was remarkable. Net private capital flows to developing countries have been positive again since 1990, with a rising trend, and they are expected to continue positive in the near future. The flows came from industrialized countries that had slipped into economic recession. Stagnation in the industrialized economies contributed to a substantial fall in international interest rates. Thus, the London interbank offered rate (LIBOR) on six-month United States dollar deposits declined from over 9 per cent in 1989 to 3.9 per cent in 1992. The decline in interest rates in industrialized countries contributed to the shift in capital flows towards developing countries, in particular those of Latin America, where domestic interest rates remained very high. To a large extent, the external debt crisis is being overcome in many middle-income countries, although it has become worse in low-income ones. 22/

34. As analysed in detail in World Economic Survey, 1993, 23/ the world economy is growing very slowly, after virtual stagnation in 1991 and 1992. The modest recovery in developed market economies in 1992 has stalled in 1993. Growth forecasts have been continually revised downwards. Trade in the 1990s has been growing much more slowly than in the second half of the 1980s, and on the whole that means slower growth in demand for many of the export products of developing countries. Real non-oil commodity prices are the lowest in more than four decades, although the pace of decline has slowed down in recent years. Protectionism in developed market economies has not abated, and developing countries continue to face barriers in industrialized country markets, most importantly non-tariff barriers. Turbulence in currency markets and exchange rate volatility have been higher in the 1990s. The potential volatility of the world's finances seems to have increased again.

35. It is difficult to conclude on balance whether the new international economic conditions are better or worse for developing countries as a whole. The percentage of non-completion of IMF programmes has increased in recent years. According to a study carried out at the Overseas Development Institute in London, the proportion of uncompleted stand-by agreements totalled 44 per cent in the period 1980-1983, 41 per cent in the period 1984-1986 and 67 per cent in the period 1987-1990. 24/ The increase in non-completion suggests that more unfavourable conditions might be at work. At the same time, some of the increase might be related to stronger and broader conditionalities. In any case, the external environment differently affects diverse groups of countries. The fact that the price of crude petroleum declined about 16 per cent between 1990 and 1992 of course affected oil-exporting and oil-importing developing countries in opposite ways. Although all countries located on planet Earth face in principle the same external environment, ultimately its impact is different for each individual country: variations in external demand for its own export products will depend on the relation between the composition of its exports and changes in demand and trade policy in its main trade partners; its terms of trade will depend on the composition of its exports and imports and the respective changes in international prices; and the impact of changes in world interest rates on its debt service will depend on the composition of its debt and the share of it on variable rate.

36. The decline in world interest rates, as in any of the external variables, had a differential impact. It meant a reduction in the debt service burden of Latin America and the Caribbean, where more than half of the total debt stock is on variable interest rates, while in sub-Saharan Africa (including Nigeria), where less than 20 per cent of the total debt is on variable interest rate, the favourable impact was smaller. Given the debt stock and its composition in 1992, each percentage point decline in average world interest rates means a reduction of $2.5 billion in the debt service burden of Latin America and the Caribbean, while in sub-Saharan Africa such reduction amounts to only about 330 million. Excluding Nigeria (where about one third of the debt is on variable rate), sub-Saharan Africa has only 15 per cent of its debt on variable rate, and the reduction in debt service coming from a one percentage point decline in world interest rates is only $220 million. 25/ The interest rates decline in the United States of America was stronger than in Europe, and that means a further advantage of Latin America and the Caribbean as compared with sub-Saharan Africa, given that Africa has relatively stronger financial linkages with Europe, while Latin America and the Caribbean have stronger financial

linkages with the United States. However, the net debt service burden depends on changes not only in interest rates, but also in export performance, in prices of exports, in the volume of debt, and in the rate of amortization of debt.

37. The impact of the lower level of global economic activity, transmitted through trade, has equally a regional dimension, which is reinforced by the interaction between external events and differences in the ability to respond to them. Very slow growth in the European Community since 1991 has tended to affect Africa more seriously than other regions, given that over half of African exports go to the European Community. South and East Asia, on the other hand, by virtue of very high growth rates in the region and increased intraregional linkages, was more capable of withstanding the negative impact of world-wide near-stagnation in 1991 and 1992. Moreover, in 1991, Japan was still growing more strongly than any other area of the developed world. Meanwhile, the decline in output in the United States in the same year weakened, in particular, export markets for Latin American and Caribbean products, since the United States usually absorbs about 40 per cent of total exports of that developing region. The regional dimensions of the impact of the international environment are of course not limited to trade.

38. External conditions in the 1990s have been harshest for Africa, where heavy dependency on a few primary commodities and, with stagnation in Europe, reduction in demand for its commodities brought large losses from worsening terms of trade. Africa had a stronger decline in terms of trade in 1992 than any other region of the developing world. If international prices had not changed, Africa would have been able to purchase $3.5 billion more in imports with its 1992 merchandise exports than was in fact the case. (This figure represents about 5 per cent of the value of Africa's imports in that year.) Because of their lower competitiveness, African countries were unable to maintain the purchasing power of their exports by increasing the volume exported. In fact, during the 1980s Africa lost market shares in the total primary commodity exports of all developing countries. 26/ Also, because of their commodity dependence, African countries are more affected by tariff escalation, a problem that the completion of the Uruguay Round of multilateral trade negotiations was meant to attenuate. 27/ Lower world interest rates did not have a large influence on the service of Africa's external debt, mostly concessional in nature and owed to official creditors. Arrears continued to increase. The combined effect of all these factors was that African countries had to cut imports more deeply and thus assume a much heavier burden in order to achieve some improvement in their balance-of-payments situation in connection with their adjustment programmes.

39. External conditions in the 1990s are less harsh for Latin America, where the debt crisis of the 1980s started and where that decade's ensuing net negative transfer of resources was at its worst. The improvement is the result of combined changes in external variables and in domestic conditions arising from a range of policy responses of the last 10 years. The net transfer of resources (on a financial basis), which had been negative since 1982, became positive in 1991 and remains positive. Lower interest rates in the 1990s benefited Latin America in terms of a lower service burden for its largely commercial debt. 28/ Beginning in 1989, some Latin America countries re-entered the international private financial markets and they have received large inflows of capital. Net capital flows to Latin America, which averaged

$8 billion per year in the second half of the 1980s, surged to $22 billion in 1990, $40 billion in 1991 and $54 billion in 1992. 29/ The decline in international interest rates, in particular in the United States, as already mentioned, is part of the explanation, as is the change in international capital markets that allowed Latin American private and state enterprises (in particular from Argentina, Brazil and Mexico) to raise money in the international bond markets. At the same time, stabilization programmes and structural reforms brought some results, especially an improvement in fiscal balances and a steep decline in inflation (excluding Brazil). Various major commercial bank restructuring agreements, and the liberalization of trade and of rules and regulations for foreign investment, together with privatization, led to a change in perceptions about the prospects for investment in Latin America.

40. The concern of an important group of Latin American countries is no longer debt, but how to manage such a large and sudden inflow of capital. 30/ Some Governments had even to impose restrictive measures to capital inflows, given their implications for monetary, exchange rate and interest policies. The massive inflow of external capital has led to real exchange rate appreciation which, in turn, is contributing to the goal of reducing inflation. The rise in the value of the national currency, as reflected in the exchange rate, is acting as an "anchor" on nominal prices. It is also helping to bring down the domestic cost of imports and is thus stimulating imports. In a number of Latin American countries, the recent inflows of capital have allowed the continuation of an overvaluation policy designed to combat inflation. On the other hand, overvalued currencies had adverse effects on the export sector, which were added to the disadvantage of slow growth in international markets given the stagnation in industrialized countries. Overvalued currencies, coupled with the process of trade liberalization that had taken place in Latin America, led to a strong increase in imports. In various cases the previous trade surplus turned rapidly into a trade deficit. The sustainability of a stabilization policy based on a currency anchor (as, for example, in Argentina) hinges, then, on the continued inflow of capital, unless the productivity of the tradables sector can be rapidly improved. Governments in countries with overvalued currencies sometimes yielded to pressure from their producers and reinstated protective measures that were being abolished.

41. In order to avoid extreme overvaluation, a large part of the inflow went into increasing reserves. 31/ This, however, created difficulties for the monetary programme. Central bank purchases of the foreign exchange threatened to generate an increase in the domestic money supply beyond the central bank's targets and thus fuel inflation. In most cases, central banks sterilized at least part of the monetary impact. Countries with high real domestic interest rates and a large increase in reserves incurred very high fiscal costs in order to sterilize the monetary impact of such an increase. In the case of Brazil, for instance, the Government spent some $3 billion in 1992 in order to sterilize the short-term inflows from abroad, issuing short-term domestic debt that in dollar terms costs the Government much more in interest than the remuneration of the reserves. 32/

42. The trade-offs between domestic and external equilibria derived from the sudden shift in capital flows have to be chosen in accordance with the stage at which each country finds itself. Where fiscal adjustment has been completed and inflation is low, the priority of sterilization measures is lower than in

countries where inflation is still high and rising. Where a margin for immediate productivity increases is present, overvaluation of the currency can be tolerated for a little longer. It seems, for instance, that currency appreciation in the last two years had less of an effect on the balance of payments of Chile than on that of Argentina, because Chile had already reached a more advanced stage in its structural reforms and in the redirecting of its export strategy. 33/

43. The short-term nature and volatility of the recent capital flows presents additional difficulties for policy-making in developing countries. Although there was also a sharp increase in foreign direct investment, most of the inflow has been of a short-term nature and could be reversed suddenly. 34/ The "flight capital" that has returned to some developing countries, in particular in Latin America, could easily reverse its direction again with a recovery in the industrialized countries and an increase in international short-term interest rates. The volatility of the international financial markets has increased in recent years. Just as the inflow of capital was determined not only by domestic policies in developing countries but also by worldwide economic trends and changes in international capital markets, so the sustainability of such capital inflows is not in the hands of developing country Governments alone.

IV. CONCLUSIONS

44. The experience with stabilization and adjustment has been very diverse. Some countries have been successful, and a few others present positive signals (although they still look very fragile); but in many countries no positive effects have thus far materialized. Views on stabilization and adjustment policies have evolved over the years among policy makers as well as in financial institutions and academic circles, and new elements have been added to old debates. Adjustment programmes are to some extent overburdened by a multiplicity of goals as wide-ranging as fighting inflation and reducing poverty and pollution. Those goals are not always compatible in the short run. Moreover, the policy instruments and institutional framework at the disposition of Governments are not always sufficient for reaching all the diverse goals. Since adjustment policies have included as a key ingredient a reduction of barriers in developing countries and a higher degree of integration into the world economy, the success of those policies is even more dependent than before on the external environment. In some cases, the room for manoeuvring is so small that adjustment programmes become easily derailed by sudden changes in external conditions.

45. With increasing diversity and rapidly changing patterns of international relations, adjustment and economic policy reform for sustained development in developing countries will be a more complex task in the decade ahead. Even if - as expressed by the States Members of the United Nations in paragraph 11 of the consensus Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries - a gradual convergence of views on economic policy, including the need for sound macroeconomic policies and enhanced competition, is emerging, the diversity of starting-points and circumstances in developing countries still calls for

national development strategies that define for each country its particular and most adequate manner of insertion into the world economy.

46. From the preceding analysis, it is clear that the economic policy lessons that were presented in the report of the Secretary-General (A/46/385) entitled "Economic stabilization programmes in developing countries" which was prepared for the forty-sixth session of the General Assembly, remain valid. Those lessons, derived from the experiences of economic reform in developing countries in the 1980s, have in fact been reinforced by the experience of the most recent years.

47. The renewed concern with respect to the areas discussed in the present report indicates that successful adjustment creating the conditions for resumption of economic growth depends on three main elements.

48. First, there has to be government commitment to a consistent set of macroeconomic and sectoral policies for a period of time sufficient to create confidence in the rules concerning investment and production. In many cases, institutional reform is part of this set, and here again a measure of stability and predictability is necessary to dissuade speculative attacks and induce investment decisions that will bring growth. There seems to be a wide consensus that fiscal discipline and monetary stringency to reduce inflation are necessary ingredients of any stabilization and adjustment policy. However, they are not sufficient. Growth-oriented stabilization and adjustment take far more time than was envisaged when the whole process started in the 1980s and the sequence of the domestic policy package will be determined by the constraints on growth in each economy. In this sense, the context of the debate on adjustment has moved towards that of the old debate on the determinants of growth. In any case, reform programmes have to be home-grown.

49. Second, a necessary counterpart of domestic policy reform is the international environment to which each country is adjusting. Most developing countries have more liberal trade regimes, more favourable foreign investment rules and more market-friendly policies today than they had at the beginning of the 1980s. Many reduced or eliminated direct foreign exchange controls. More open and market-friendly economies might have more flexibility with respect to taking advantage of the opportunities that are open to them in international markets, but they are also more prone to the transmission of short-term instability across borders. The sustainability and the results of adjustment programmes are sensitive to changes in external variables over which policy makers in developing countries have little control.

50. World output this year will, for the third year in a row, grow less than world population. International trade is growing less than it did in the second half of the 1980s. Protectionist forces gather strength under such conditions. The turmoil with regard to the exchange rates and financial policies of developed countries in September 1992 and more recently in July 1993 suggests how difficult it is to insist on ongoing policies - even if those policies are perceived as adequate by policy makers - when output is stagnant and unemployment high and rising. Moreover, without a renewal of growth in developed countries, the general political climate and that of public opinion as regards foreign aid might reflect a further weakening. The persistent decline

in the prices of commodities that determine the export earnings of developing countries is continuing this year.

51. There remains a great uncertainty about key trends and prices in the world economy, including interest rates and energy prices, as well as about the outcome of the Uruguay Round and multilateral trade negotiations and what it means in terms not only of market access for developing countries but also of rules for international trade to be accepted by all parties. This high degree of uncertainty at the international level makes domestic economic management more complex in most developing countries. It also makes it difficult to envision the kind of environment countries should adjust to.

52. Third, international economic cooperation could increase the chances of success of adjustment policies by restoring a more favourable and stable international environment. As noted in paragraph 71 of the first report of the Secretary-General (A/46/385) on economic stabilization programmes in developing countries, external support can feed domestic confidence and thus avoid the trap of self-fulfilling negative expectations about the prospects of an adjustment programme.

53. The Tokyo Summit Economic Declaration: A Strengthened Commitment to Jobs and Growth of the seven major industrial countries (July 1993) focused on international macroeconomic policy coordination for growth, but the policy mix in industrialized countries has not yet been favourable to recovery. Moreover, the Group of Seven does not deal with the macroeconomic policy issues that are of more direct concern to developing countries. None the less, the increasingly integrated and market-oriented world economy that is emerging reinforces the need for a strengthened and more symmetrical surveillance by IMF directed towards a better functioning of the world economy.

54. Adjustment programmes aim at sustained growth through further integrating developing countries into the world economy. Economic interaction among industrialized and developing countries will change and expand to some degree according to the results of such programmes. It can be argued that the adjusting of their economy by developing countries to achieve a sustained rate of growth is beneficial to industrialized ones. Developing countries with a thriving economy offer more possibilities for productive partnership and it is therefore in the interest of all countries, developed and developing alike, to guarantee the success of adjustment programmes.

Notes

1/ For a presentation of this contrast, see Lawrence H. Summers and Lant H. Pritchett, "The structural adjustment debate", American Economic Review, vol. 83, No. 2 (May 1993) (Papers and Proceedings of the 158th Annual Meeting of the American Economic Association); and Christian Morrisson (OECD Development Centre), Foreword, Special Issue on Adjustment with Growth and Equity, World Development, vol. 19, No. 11 (November 1991), p. 1,484.

2/ The fact that the headquarters of the International Monetary Fund, the World Bank and the Inter-American Development Bank are in Washington, D.C., partly explains the expression. It first appeared in Latin American Adjustment: How Much Has Happened? J. Williamson, ed. (Washington, D.C., Institute for International Economics, 1990).

3/ At the beginning of 1993, at the Annual Meeting of the American Economic Association, the World Bank's chief economist interpreted stabilization as constituting just one element of adjustment and referred to structural adjustment programmes as comprising the four "actions" - stabilization, liberalization, deregulation and privatization. See Lawrence H. Summers and Lant H. Pritchett, "The structural adjustment debate", American Economic Review, vol. 83, No. 2 (May 1993) (Papers and Proceedings of the 158th Annual Meeting of the American Economic Association).

4/ The Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted by the General Assembly on 1 May 1990 at its eighteenth special session, addresses the subject of the close relationship between domestic policies and international cooperation. For an example of strong argumentation with respect to the importance of the external environment for the success of domestic policy, see Anne O. Krueger, Economic Policies at Cross-Purposes: the United States and Developing Countries (Washington, D.C., The Brookings Institution, 1993), in particular pp. 31-35 and chap. 6.

5/ See F. Desmond McCarthy and Ashok Dhareshwar, Economic Shocks and the Global Environment, Policy Research Working Papers, WPS 870 (Washington, D.C., World Bank, March 1992).

6/ IMF in response to consultations from the Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat regarding General Assembly resolution 46/154.

7/ See Miles Kahler, "External influence, conditionality and the politics of adjustment", in The Politics of Economic Adjustment, Stephan Haggard and Robert R. Kaufman, eds. Princeton, New Jersey, and Oxford, Princeton University Press, 1992.

8/ In document A/46/385 the issue of the sequencing of policies is discussed at length.

9/ This group consists of Burundi, the Gambia, Ghana, Guinea, Kenya, Lesotho, Madagascar, Malawi, Mauritania, Namibia, Nigeria, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

10/ Edward V. K. Jaycox, Africa: from Stagnation to Recovery (Washington, D.C., World Bank, February 1993), p. 6; World Bank, Adjustment Lending and Mobilization of Private and Public Resources for Growth (Washington, D.C., World Bank, 1992); Ibrahim A. Elbadawi and others, World Bank Adjustment Lending and Economic Performance in Sub-Saharan Africa in the 1980s: A Comparison with Other Low-Income Countries, Working Papers, WPS 1000, (Washington, D.C., Country Economics Department, World Bank, October 1992); and World Bank in response to Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat consultations regarding General Assembly resolution 46/154.

11/ See, for instance, World Economic Survey, 1993 (United Nations publication, Sales No. E.93.II.C.1) pp. 40-44; UNCTAD, Trade and Development Report, 1993, part II, chap. II (United Nations publication, Sales No. E.93.II.D.10); Henk-Jan Brinkman, "Economic performance, exogenous factors and adjustment policies in Africa". Paper presented to the Economists' Workshop of the UNDP Regional Bureau for Africa, 7-12 June 1993; and Tony Killick (Overseas Development Institute, London), "Economic inflexibility in Africa: evidence and causes", Paper prepared for the Workshop on Nature, Significance and Causes of the Flexibility of National Economies, Bisham Abbey, 4-6 July 1993.

12/ The Organisation for Economic Co-operation and Development (OECD) Development Centre initiated in 1987 a research project on "Adjustment programmes and equitable growth" under which it carried out seven country studies and proposed a new approach. Also, the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Development Bank (IDB) and the Overseas Development Institute in London, among other bodies, have undertaken in-depth policy-oriented studies on this subject.

13/ Even the now almost conventional view that in Africa reforms tended to favour the rural over the urban sector has been questioned in some cases. See, for example, Tor Skålnes, "The state, interest groups and structural adjustment in Zimbabwe", The Journal of Development Studies, (London), vol. 29, No. 3, (April 1993).

14/ The price of oil fell from an average of $25 a barrel in 1985 to $12 a barrel in 1986. The share of oil in total exports was still 68 per cent and revenues from oil represented 26 per cent of total government revenues. The loss in foreign exchange revenues was equivalent to almost 7 per cent of GDP and the country was unable to obtain additional external funding. The oil shock followed the devastating earthquake of September 1985. For a thorough analysis of reform in Mexico see Nora Lustig, Mexico: the Remaking of an Economy, (Washington, D.C, The Brookings Institution, 1992).

15/ As policy makers and social workers from Chile have recalled, it is very hard for a poor person to prove that he/she is poor. Many forms and certifications have to be filled out.

16/ See Carol Graham, "The politics of protecting the poor during adjustment: Bolivia's emergency social fund", World Development, vol. 20, No. 9 (1992); and Alan Roe and Hartmut Schneider, Adjustment and Equity in Ghana (Paris, OECD Development Centre, 1992).

17/ See the report of the Secretary-General (A/48/367) on sources of financing for development.

18/ As a look at the list of references at the end will confirm. That list covers only studies published after 1990. A pioneering work on the subject is Joan Nelson and others, Fragile Coalitions: the Politics of Economic Adjustment, (Washington, D.C., Overseas Development Council, 1989). Very recently, the Institute for International Economics in Washington, D.C., for instance, attuned to the times, held a conference on "The political economy of policy reform", from 14 to 16 January 1993.

19/ See Howard Stein, "Deindustrialization, adjustment, the World Bank and the IMF in Africa", World Development, vol. 20, No. 1 (1992).

20/ Oxford, Oxford University Press, 1991.

21/ United Nations publication, Sales No. E.92.II.C.1.

22/ See the report of the Secretary-General on "The international debt strategy as of mid-1993" (A/48/345) and on "Sources of financing for development" (A/48/367) which are being presented to the General Assembly at its forty-eighth session. See also World Economic Survey, 1993 (United Nations publication, Sales No. E.93.II.C.1), in particular chap. IV, entitled "The international transfer of financial resources", and annex, table A.27.

23/ United Nations publication, Sales No. E.93.II.C.1.

24/ An uncompleted programme is defined as one in which 20 per cent or more of the total value of the credit remains undrawn. In most cases this means that the programme is discontinued at least before the final credit tranche is released. See Tony Killick, Moazzam Malik and Marcus Manuel, "What can we know about the effects of IMF programmes?", The World Economy, vol. 15, No. 5 (September 1992).

25/ Estimates on the basis of data from World Bank, World Debt Tables, 1992-93 (Washington, D.C., World Bank, 1992).

26/ See World Economic Survey, 1993, (United Nations publication, Sales No. E.93.II.C.I), in particular box III.1, pp. 93-94 and annex, table A.20.

27/ Tariff escalation can be exemplified with cocoa, one of the main exports of Africa: while the average import tariff on cocoa beans is below 3 per cent, on chocolate it is nearly 12 per cent.

28/ As discussed in para. 36.

29/ See World Economic Survey 1993, (United Nations publication, Sales No. E.93.II.C.I), annex, table A.27.

30/ Ibid., chap. II., subsection entitled "Latin America: stabilization, gains further ground", pp. 36-40. The trade-off between external and domestic equilibria in Latin America resulting from the rapid capital inflow are examined therein.

31/ Ibid., annex, table A.28.

32/ For a thorough presentation of the policy problems raised by the rapid capital inflows of the last years, see Edmar L. Bacha, Selected International Policy Issues on Private Market Financing for Developing Countries, Research Papers on International Monetary and Financing Issues for the Group of Twenty-four, March 1993 (forthcoming as United Nations document UNCTAD/GID/G24/3).

33/ Economic Commission for Latin America and the Caribbean (ECLAC) in response to consultations from the Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat, regarding General Assembly resolution 46/154.

34/ See World Economic Survey, 1993, (United Nations publication, Sales No. E.93.II.C.1), chap. IV and annex, table A.27.

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Forty-eighth session
Item 65 of the provisional agenda*

AMENDMENT OF THE TREATY BANNING NUCLEAR-WEAPON TESTS IN THE ATMOSPHERE, IN OUTER SPACE AND UNDER WATER

Letter dated 8 September 1993 from the Permanent Representative of Indonesia to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the concluding statement of Mr. Ali Alatas, Minister for Foreign Affairs of the Republic of Indonesia and President of the Amendment Conference of the States Parties to the Treaty Banning Nuclear Weapon Tests in the Atmosphere, in Outer Space and under Water at the special (informal) meeting of the States parties held in New York on 10 August 1993 (see annex).

I should be grateful if you would have the text of the present letter and its annex circulated as an official document of the General Assembly under item 65 of the provisional agenda.

(Signed) Nugroho WISNUMURTI
Ambassador
Permanent Representative

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* A/48/150 and Corr.1.

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ANNEX

Concluding statement of the President of the Amendment Conference of the States Parties to the Treaty Banning Nuclear Weapon Tests in the Atmosphere, in Outer Space and under Water at the special (informal) meeting of the States Parties, held in New York on 10 August 1993

1. Pursuant to General Assembly resolution 47/46 of 9 December 1992, a special meeting of the States parties to the 1963 Treaty Banning Nuclear Weapon Tests in the Atmosphere, in Outer Space and under Water was held on 10 August 1993. There was a general exchange of views on the developments regarding the issue of nuclear testing, and the parties considered the feasibility of resuming the work of the Amendment Conference.

2. The special meeting welcomed the encouraging developments concerning nuclear testing, in particular the de facto moratoria on nuclear tests declared by some nuclear States and their commitment to work expeditiously towards achieving a comprehensive test ban.

3. The special meeting further welcomed the decision of the Conference on Disarmament to give its Ad Hoc Committee on a Nuclear Test Ban a mandate to negotiate a comprehensive test ban.

4. The urgency for achieving a comprehensive test ban, as well as the need for an expeditious means to realize this objective, was emphasized by the special meeting.

5. The special meeting directed its attention to the fact that the consideration of a comprehensive test ban has been under way on three tracks, namely in the Conference on Disarmament, in the Amendment Conference and in the consultations among the nuclear Powers. While some delegations expressed their own preference as to the forum in which a comprehensive test ban should be pursued, there was a general consensus that the work on a comprehensive test ban in the different forums, and especially between the Amendment Conference and the Conference on Disarmament, should be mutually supportive and mutually complementary.

6. There was also a broad consensus among the States parties that the President of the Amendment Conference should continue his consultations with the States parties as well as States not parties to the Treaty and to hold another special meeting early in 1994 in order to review developments and assess the situation regarding a comprehensive nuclear test ban and to examine the feasibility of resuming the work of the Amendment Conference later that year. In this connection, it was recalled that pursuant to the decision of the Amendment Conference, further work needed to be undertaken, especially with regard to verification of compliance and possible sanctions against non-compliance.

7. In order to promote universality of a comprehensive test ban, the special meeting considered it essential that, in pursuing his efforts, the President of the Amendment Conference closely liaise with the Conference on Disarmament and with the five nuclear Powers.

8. The special meeting agreed that the elements of consensus emerging from this meeting could be used as the basis for formulating a draft resolution on the Amendment Conference at the forthcoming session of the General Assembly.

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Forty-eighth session
Item 10 of the provisional agenda*

REPORT OF THE SECRETARY-GENERAL ON THE WORK OF THE ORGANIZATION

Letter dated 7 September 1993 from the Permanent Representative of Kazakhstan to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith a letter addressed to you by His Excellency Mr. Touleutai S. Suleimenov, Minister for Foreign Affairs of the Republic of Kazakhstan (see annex).

I would be grateful if the text of the present letter and its annex could be circulated as an official document of the General Assembly under item 10 of the provisional agenda.

(Signed) Akmaral K. ARYSTANBEKOVA

* A/48/150 and Corr.1.

Annex

Letter dated 24 August 1993 from the Minister for Foreign Affairs of Kazakhstan addressed to the Secretary-General

In 1995 the world community will commemorate the 50th anniversary of the United Nations - an international forum uniting 183 States, including those which have quite recently attained independence as a result of the democratic changes in Eastern Europe and the former Union of Soviet Socialist Republics.

After long years of confrontation and "cold war", the peoples of the Earth now have a historic chance to turn the United Nations into an instrument of effective cooperation for peace and progress, as you rightly point out in your report "An Agenda for Peace" (A/47/277-S/24111).

When addressing the General Assembly at its forty-seventh session, the President of the Republic, Mr. Nursultan Nazarbaev, also stressed that the world had now really reached the point where the clear and, at the same time, obscure challenge of the times obliged us to embark on a new type of coordination and organization of our joint efforts.

With a view to promoting a collective attempt to identify new foundations for coexistence among States in a world that is more than ever integrated and interdependent, the President of Kazakhstan suggested that a special session of the General Assembly be convened to discuss the problems of the post-confrontation era. We believe that, as the time to celebrate this historic United Nations anniversary approaches, it would be extremely useful to discuss the new tasks facing our Organization.

In our view, the fundamental problems which could be considered in the course of the suggested special session are set out in your reports "An Agenda for Peace" and "New dimensions of arms regulation and disarmament in the post-cold-war era" (A/C.1/47/7). They were also vividly highlighted in the basic documents of the United Nations Conference on Environment and Development, held at Rio de Janeiro, and of the World Conference on Human Rights, held at Vienna. Furthermore, the holding of such a special session in the context of the forty-ninth session of the General Assembly would not involve any additional financial expense.

In light of the above, we believe that the special session of the General Assembly could consider the following topic: "Ways and means of strengthening international peace and security for the purpose of stable development and affirmation of the principles of democratization".

In the context of this topic, we would consider it possible to discuss problems relating to the strengthening and development of preventive diplomacy, peacemaking and peace-keeping, United Nations interaction with regional structures and organizations, stable global economic development in connection with the problems of the planet's environmental security, strengthening of democratic principles in national development, increased effectiveness of United Nations activities and strengthening of the Organization's role under newly changed conditions.

We are also ready to discuss other proposals with Member States and to display the greatest possible flexibility and understanding in doing so. We hope to win the support and to draw on the invaluable experience of States Members of the United Nations in addressing what seems to us an issue of great importance for all, as well as to receive your personal support.

Kazakhstan invites all interested States Members of the United Nations to unite their efforts in imparting the requisite dynamism to the Organization's actions and ensuring that they adequately meet the challenges of our times, in the interests of progress and justice.

(Signed) T. SULEIMENOV
Minister for Foreign Affairs
of the Republic of Kazakhstan